

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 9, 2024

BILL NUMBER: HB 3959

STATUS AND DATE OF BILL: CS 4/8/24

AUTHORS: House: Echols & May Senate: Treat

TAX TYPE(S): Quality Jobs

SUBJECT: Incentive

PROPOSAL: New Law

HB 3959 proposes to enact a new rebate program called the *Oklahoma Five Major Sports Leagues Rebate Program Act* for qualifying establishments. The Committee Substitute amended the Engrossed version by:


1. Providing a name for the rebate program;
2. Outlining the various sports league that may be eligible for the incentive; and
3. Providing a definition of sports-league jobs.¹

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT: No changes in revenue are anticipated due to the revenue neutral features of both the *Oklahoma Quality Jobs Program Act* and this proposal.

FY 25: None

FY 26: None

<u>4/10/24</u> DATE	 _____ MARIE SCHUBLE, DIVISION DIRECTOR	mk
<u>4/9/24</u> DATE	<u>Huan Gong</u> _____ HUAN GONG, ECONOMIST	
<u>4/10/2024</u> DATE	<u>Joseph P. Gappa</u> _____ JOSEPH GAPPA, FOR THE COMMISSION	

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

¹Sports league jobs do not include competitors of sport's entities that do not have real or personal property with a market value of at least \$1 million in Oklahoma.

PROPOSED NEW LAW:

HB 3959 proposes to enact a new rebate program called the *Oklahoma Five Major Sports Leagues Rebate Program Act* for qualifying establishments. This measure creates a rebate similar to the incentive payments under the *Oklahoma Quality Jobs Program Act*.² The amount of the quarterly rebate payment is equal to the net benefit rate³ determined by Oklahoma Department of Commerce (Commerce) multiplied by the actual gross payroll of sports-league jobs as verified by the Oklahoma Employment Security Commission. The maximum annual rebate may not exceed \$10 million in a year. Unlike the incentive payments under the current *Oklahoma Quality Jobs Program Act*⁴ there is no end date for this rebate.

To qualify for the rebate:

- The establishment must be classified in the NAICS Manual under U.S. Industry No. 711211 and a professional sports team from one of the five major sports leagues (NFL, NBA, NHL, MLB, MLS).
- If the establishment previously qualified for Oklahoma's Quality Jobs Program, its contract must have expired or been terminated.
- The establishment must have an annual gross payroll for sports-league jobs projected by Commerce of at least \$10 million within 1 year of the first complete calendar quarter following the start date.
- At least 80% of the sports-league jobs created must be full-time-equivalent positions working an average of 30+ hours per week.
- The establishment must apply to and be approved by Commerce.
- The establishment must continue business operations in Oklahoma for at least 3 years after the initial rebate claim.

The Oklahoma Tax Commission has the following key roles and duties related to this rebate program:

- Verify payroll and job creation data submitted by establishments on their quarterly rebate claims.
- Issue rebate payments to qualified establishments by multiplying the net benefit rate and verified gross payroll.
- Enforce requirements related to establishments retaining eligibility for payments based on meeting job creation and payroll thresholds.
- Withhold portions of revenue from state taxes paid by businesses to fund the Oklahoma Five Major Sports Leagues Rebate Payment Fund used to pay the rebates.
- Coordinate with Commerce, which calculates cost-benefit analyses and provides the net benefit rate used in determining rebate payment amounts.

² Like the *Oklahoma Quality Jobs Program Act* (68 O.S. § 3604(L)) 5% of the quarterly incentive payment amount under this proposal are transferred by the OTC to the Oklahoma Quick Action Closing Fund.

³Based on conversations with Commerce, the net benefit rate calculation should result in revenue neutrality for the rebate payments.

⁴ Under the *Oklahoma Quality Jobs Program Act* (68 O.S. § 3601) et seq., incentive payments are limited to 10 years per contract.